

Message Text

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PANAMA FOR TUCKER, GAO; RIO FOR RESOURCES OFFICER ACTION

E.O. 11652: N/A

TAGS: AGAO, EMIN, BR

SUBJECT: GAO REVIEW: "ASSESSMENT OF INCREASING RELIANCE OF
U.S. MANUFACTURERS ON FOREIGN PROCESSED MATERIALS"

REF: A. BRASILIA 6271; B. STATE 198565

1. GAO APPRECIATES OFFER REFTTEL A TO PROVIDE DATA FOR
THEIR STUDY AND HAS PROVIDED THE FOLLOWING QUESTIONS PER-
TAINING TO BRAZIL'S ALUMINUM, COPPER, ZINC AND FERROALLOY
INDUSTRIES.

-- A. HOW DOES THE GOVERNMENT OF BRAZIL VIEW THE FUTURE OF
THE NON-FERROUS AND FERROALLOY INDUSTRIES? WHAT GOALS
HAVE BEEN SET AS PART OF THE SECOND NATIONAL DEVELOPMENT
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PLAN FOR THE MINERALS AND METALS INDUSTRIES? WHAT PRO-
GRESS HAS BEEN MADE TOWARD MEETING THESE GOALS?

-- B. WHAT IS THE PRESENT AND PROJECTED SMELTING AND RE-
FINING CAPACITY FOR THESE METALS? WHAT IS THE PRESENT AND
FORECAST BRAZILIAN DOMESTIC DEMAND FOR THESE METALS?

-- C. WHAT IS THE GOB'S ROLE IN THE DEVELOPMENT OF THE NON-FERROUS AND FERROALLOYS INDUSTRIES? IS THERE ANY GOB EQUITY PARTICIPATION OR LOAN GUARANTEE ACTIVITY IN THE MINING/METALS PROCESSING SECTOR? WHAT AGENCY REPRESENTS THE GOVERNMENT'S EQUITY IN MINING AND MINERAL VENTURES SUCH AS THOSE DEALING WITH THE BAHIA COPPER DEPOSITS?

-- D. WHAT IS THE RELATIONSHIP BETWEEN EMPLOYMENT, FOREIGN EXCHANGE AND TRADE POLICIES, AND THE LEVEL OF ALUMINUM, COPPER, ZINC, AND FERROALLOY PRODUCTION? IS PRODUCTION MAINTAINED FOR "SOCIAL" RATHER THAN ECONOMIC REASONS?

-- E. WHAT IS THE CAPITALIZATION STRUCTURE OF FIRMS IN THE MINING/METALS PROCESSING SECTOR? IS DEBT PORTION OF LONG TERM NATURE? IF CAPITALIZATION TENDS TOWARD DEBT, HOW DO FIRMS SERVICE DEBT OBLIGATIONS DURING PERIODS OF WEAK MARKETS AND LOW EARNINGS?

-- F. DO ANY GOVERNMENT SPONSORED BANKS OR OTHER AGENCIES PROVIDE FINANCIAL ASSISTANCE TO THE MINING/METALS PROCESSING SECTOR IN THE FORM OF LONG-TERM LOANS AT LOW INTEREST RATES, OR LOAN GUARANTEES?

-- G. HOW DOES WAGE STRUCTURE AND UNIT LABOR COSTS IN THE BRAZILIAN MINING/METAL PROCESSING INDUSTRY COMPARE WITH LIMITED OFFICIAL USE

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THAT OF THE UNITED STATES?

-- H. ARE THERE ANY SPECIFIC FEDERAL OR STATE TAX POLICIES SUCH AS TAX REDUCTIONS, HOLIDAYS OR DEFERRALS DESIGNED TO ENCOURAGE DEVELOPMENT IN THE MINING AND MINERAL PROCESSING INDUSTRIES? DOES BRAZILIAN FEDERAL OR STATE TAX CODE PROVIDE FOR MINE DEPLETION ALLOWANCES? WHAT TIME PERIODS ARE ACCEPTABLE FOR COMPUTING PLANT AND EQUIPMENT DEPRECIATION FOR MINES AND METALS SMELTERS AND REFINERIES? DOES BRAZILIAN TAX CODE PROVIDE FOR RAPID RECOVERY OF INVESTMENT IN POLLUTION CONTROL EQUIPMENT? IS REPLACEMENT COST RATHER THAN HISTORICAL COST AN ACCEPTABLE BASIS FOR COMPUTING DEPRECIATION OF MINE/SMELTER/REFINERY EQUIPMENT? IS INCOME MADE ON METAL EXPORTS FREE FROM INCOME TAX? ARE GOVERNMENT OWNED COMPANIES OR MIXED COMPANIES (PART GOVERNMENT, PART PRIVATELY OWNED) EXEMPT FROM INCOME TAX?

-- I. WHAT BRAZILIAN FEDERAL OR STATE ENVIRONMENTAL REGULATIONS SUCH AS AIR AND WATER QUALITY STANDARDS AND LAND USE RESTRICTIONS APPLY TO METAL MINING AND PROCESSING OPERATIONS? DO BRAZILIAN ENVIRONMENTAL REGULATIONS

HAVE A STANDARD FOR SULFUR DIOXIDE EMISSION CONTROL? IS STACK DISPERSION ADEQUATE FOR MEETING AIR QUALITY STANDARDS? ARE ENVIRONMENTAL STANDARDS APPLIED TO ALL FACILITIES OR JUST TO NEW OPERATIONS? ARE STANDARDS WAIVED OR MADE LESS STRINGENT FOR OPERATIONS IN REMOTE/ UNPOPULATED AREAS? DOES SEMA, THE GOB ENVIRONMENTAL PROTECTION AGENCY, HAVE AN IMPACT ON THE MINERALS AND METALS INDUSTRIES?

-- J. DOES GOB IMPOSE WORKER SAFETY REGULATIONS SIMILAR TO U.S. OSHA? IF SO, ARE THEY COSTLY ENOUGH TO LIKELY INFLUENCE INVESTMENT DECISIONS FOR VENTURES IN THE SUBJECT METAL INDUSTRIES?

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-- K. HOW DO ENERGY AVAILABILITY AND COST CONSTRAINTS AFFECT DEVELOPMENT OF THE ALUMINUM, COPPER, ZINC AND FERROALLOY INDUSTRIES IN BRAZIL? DO INDUSTRIAL METALS PRODUCERS RECEIVE LONG RANGE ENERGY SUPPLY COMMITMENTS AND/OR FAVORABLE ENERGY RATES COMPARED TO OTHER INDUSTRIAL ENERGY USERS?

-- L. DOES GOB PARTICIPATE IN THE NEGOTIATION OF LONG-TERM SUPPLY CONTRACTS WITH FOREIGN ORE/CONCENTRATE SUPPLIERS? WHAT SPECIFIC METHODS ARE USED TO SAFEGUARD THE SUPPLY OF OVERSEAS RESOURCES?

-- M. WHAT MEASURES ARE FEDERAL OR STATE GOVERNMENTS USING TO STIMULATE DOMESTIC MINERALS EXPLORATION? WHAT TERMS DOES THE CIA PESQUISA DE RECURSOS MINERARAIS (CPRM) SET UP TO ENCOURAGE MINERALS EXPLORATION? WHAT INFLUENCE DOES THE INDUSTRIAL DEVELOPMENT COUNCIL (CDI) HAVE ON THE MINERALS AND METALS SECTORIAL STUDIES GROUP? WHAT SPECIFIC REGIONAL INCENTIVES ARE DIRECTED TO THE MINING AND MINERALS INDUSTRIES? CAN YOU GIVE SPECIFICS ON THE SCHEMES ADMINISTERED BY THE SUDENE AND SUDAN?

-- N. HOW LONG DOES IT TAKE TO BUILD A NEW ALUMINUM/ZINC/ COPPER/FERROALLOY SMELTER OR REFINERY IN BRAZIL, I.E. ELAPSED TIME FROM DECISION TO BUILD UNTIL FACILITY OPENS-- WOULD LIKE ONE OR TWO EXAMPLES.

-- O. IS IT KNOWN WHAT FORMS NON-TARIFF BARRIERS TO THE IMPORT OF REFINED METALS TAKE, I.E. QUOTAS, WITHHOLDING OF IMPORT LICENSES, ETC.?

-- P. DOES GOB STOCKPILE THE SUBJECT METALS AND, IF SO, FOR WHAT PURPOSE?
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3. IT WOULD ALSO BE APPRECIATED IF THE POST WOULD IDENTIFY ANY AIRGRAMS OR OTHER MATERIALS DEALING WITH ISSUES MENTIONED ABOVE WHICH HAVE BEEN SUBMITTED TO THE DEPARTMENT.

4. THE GAO WOULD LIKE TO RECEIVE THIS INFORMATION BY SEPTEMBER 30 SO THAT IT CAN BE INCORPORATED INTO ITS REPORT. TO FACILITATE THE TRANSMISSION AND DELIVERY OF THE REQUESTED DATA, IT IS RECOMMENDED THAT AIRGRAMS OR CABLES BE USED AND AIRPOUCH MATERIALS TO THE DEPARTMENT ADDRESSED TO THE GAO LIAISON OFFICE, A/BF/OAG, ROOM 4253. CHRISTOPHER

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